

Message Text

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ACTION EB-08

INFO OCT-01 ARA-14 ISO-00 FEA-01 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 SS-15
STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01
/098 W

-----089010 050437Z /73

R 041739Z AUG 77
FM AMEMBASSY GUATEMALA
TO SECSTATE WASHDC 7039
AMEMBASSY TEGUCIGALPA
AMEMBASSY MANAGUA
AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR

UNCLAS GUATEMALA 4938

E.O. 11652: N/A
TAGS: ETRD, GT
SUBJ: CHANGE IN AUTOMOTIVE TARIFFS GOOD FOR US SALES

BEGIN SUMMARY: THE GUATEMALAN CONGRESS HAS APPROVED DECREE NO. 37-77 AND FORWARDED IT TO THE PRESIDENT FOR EXPECTED APPROVAL IN THE NEAR FUTURE. CHANGED ARE THE DUTIES AS APPLIED TO ALL IMPORTED PASSENGER AUTOMOBILES. TRUCKS AND TRACTORS ARE NOT AFFECTED. THE CHANGES REDUCE DUTIES PAYABLE AND PLACE AN UPPER LIMIT ON THESE DUTIES. A MAJOR PROBLEM REMAINING IS THE DETERMINATION OF THE PRICE ON WHICH DUTIES ARE PAYABLE. WHEN EFFECTIVE, THE NEW LAW WILL ENCOURAGE IMPORTS OF US AUTOMOBILES AFTER A PERIOD OF 8-10 YEARS ABSENCE FROM THE GUATEMALAN DEALERS' SHOWROOMS. NO ACTION REQUESTED. END SUMMARY

1. DECREE 37-77, WHEN APPROVED BY THE PRESIDENT AND PUBLISHED, WILL ALTER SIGNIFICANTLY THE AUTOMOTIVE TARIFF SITUATION IN GUATEMALA. THE TARIFF ON AUTOMOBILES, INCLUDING STATION WAGONS, WILL BECOME 55 PERCENT AD VALORUM UP TO \$6,500.

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FOR EACH \$100 ABOVE THAT, THE TARIFF INCREASES BY 4 PERCENT. HOWEVER, IN NO CASE WILL THE TARIFF EXCEED 100 PERCENT OF THE VALUE OF THE VEHICLE. IN ADDITION TO THE ABOVE TARIFF, THERE IS A STAMP TAX OF 2 PERCENT AND A SURCHARGE OF 30 PERCENT AS PROVIDED IN THE PROTOCOL OF SAN JOSE OF THE CENTRAL AMERICAN COMMON MARKET, A SURCHARGE WHICH REMAINS IN EFFECT FOR AT LEAST ONE MORE YEAR.

2. AN EXAMPLE OF THE TAX DIFFERENCE WITH THE EXISTING LAW IS THAT A BUYER OF A CADILLAC SEVILLE VALUED AT \$12,000 WOULD HAVE PAID COST AND TAXES AMOUNTING TO \$74,880; UNDER THE NEW LAW THE PRICE OF THE CAR WOULD BE \$27,840.

3. DISCUSSION WITH US AND FOREIGN CAR DEALERS LEADS TO THE FOLLOWING CONCLUSIONS. US PASSENGER CARS, AFTER 10 YEARS ABSENCE, WILL ONCE AGAIN ENTER THE GUATEMALAN DEALERS' MARKET. THEY WILL DO SO AT THE EXPENSE OF REDUCED IMPORTS OF EUROPEAN LUXURY CARS. THE US MARKET IN THE FIRST YEAR COULD BE AS LARGE AS 200-300 AUTOMOBILES, PLUS SIGNIFICANT SUPPORTIVE SPARE PARTS, A VALUE OF ABOUT \$2 MILLION. NOT ALL THESE CARS WILL COME THROUGH GUATEMALAN DEALERS, SINCE MANY ARE EXPECTED TO ENTER BY HIGHWAY (THEREFORE PAYING AN ADDITIONAL FEE OF ABOUT \$400) FOLLOWING DIRECT PURCHASE BY GUATEMALANS IN THE US. GOVERNMENT REVENUES WILL INCREASE (NOBODY PAID THE OLD TARIFFS). TOTAL IMPORTS WILL INCREASE ONLY AT AN HISTORICAL RATE -- THERE WILL BE NO BIG JUMP, DEALERS SAY.

4. A MAJOR PROBLEM FOR THE GOVERNMENT AND FOR THE DEALERS IS TO FIND AN OBJECTIVE MANNER OF DETERMINING THE CAR VALUE TO BE TAXED. IT HAS BECOME THE PRACTICE OF SEVERAL EUROPEAN (NOT US OR JAPANESE) FACTORIES TO SHARPLY UNDER-INVOICE THEIR PRODUCTS IN ORDER TO AVOID TARIFF PAYMENTS. THIS LEADS LOCALLY TO A COMPLETE LACK OF CONFIDENCE IN THE VERACITY OF UNCLASSIFIED

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FACTORY QUOTES, BOTH BY THE GOG AND COMPETING DEALERS. AN ALTERNATE PRICE BASE FOR TARIFF PURPOSES IS UNDER DISCUSSION BETWEEN THE GOVERNMENT AND SEVERAL, BUT NOT A MAJORITY, OF CAR DEALERS.

5. AFTER A DECADE OF ABSENCE FROM THE NEW CAR MARKET, THERE ARE OPEN QUESTIONS ABOUT PUBLIC ACCEPTANCE OF US CARS AND THE EFFECTIVENESS OF LOCAL DEALERS. HOWEVER, THERE IS AN EXPECTATION AMONG NON-US CAR DEALERS THAT THE US PRODUCT WILL FIND A PLACE IN THE MARKET, ALTHOUGH CERTAINLY NOT THE MONOPOLY IT ONCE ENJOYED.

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TARIFF LAW, CENTRAL LEGISLATURE, TARIFF LIBERALIZATION, AUTOMOBILES
Control Number: n/a
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Decaption Note:
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Disposition Comment:
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Format: TEL
From: GUATEMALA
Handling Restrictions: n/a
Image Path:
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Litigation Code IDs:
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Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ecacfc61-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 13-Oct-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1711945
Secure: OPEN
Status: NATIVE
Subject: CHANGE IN AUTOMOTIVE TARIFFS GOOD FOR US SALES BEGIN SUMMARY: THE GUATEMALAN CONGRESS HAS APPROVED DECREE NO. 37-77 AND FORWARDED IT TO THE PRESIDENT FOR EX
TAGS: ETRD, PGOV, GT, US
To: STATE TEGUCIGALPA
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/ecacfc61-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009